

**GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND**

**Minutes of a Meeting of the
Board of Trustees**

**Held on November 14, 2018
1:00 o'clock p.m.**

**Offices of
Climaco, Wilcox, Peca & Garofoli Co., L.P.A.
55 Public Square, Suite 1950
Cleveland, Ohio**

There being a quorum present, Mr. Silliman called the meeting to order at approximately 1:00 p.m. Board members Ken Silliman, Matt Carroll, William Reidy and David Ebersole were present as was newly appointed Board member Davida Russell. Also present were Todd Greathouse (telephonically), Brian Kelly, and Daniella Nunnally of Gateway, as well as Dennis Wilcox and Scott Simpkins as Gateway's General Counsel. Also present was Gateway's Engineering Consultant David Faller. Present from Stifel Nicolaus on behalf of Cuyahoga County was Robert Franz. Present from the Indians was Jim Folk. Present from the Cavs were Beverly Skoar, Tim Naso, and Michael Lathrop. Present from the media was Kevin Kleps of Crain's Cleveland. Present from the public was William Tarter.

Mr. Silliman opened the meeting and asked for approval of the Minutes of the August 8, 2018 meeting. Upon motion made by Mr. Carroll, and seconded by Mr. Ebersole, the Minutes were unanimously approved 4-0.

Next, Mr. Silliman asked if there was any public comment. Mr. Tartar asked about the impact on the maintenance costs of the recent announcement that the 2022 NBA All-Star game will be held at the Arena. Mr. Silliman responded that his understanding is that the 2022 NBA All-Star game will have no impact on the maintenance fund and he will advise at the next board meeting if things change or if his understanding is somehow incorrect.

Mr. Silliman then asked Mr. Wilcox to introduce Resolution 2018-7 for approval of the appointment of Ms. Russell to serve on the Board of Trustees as one of the City's appointees to replace Emmanuel Glover with her term to commence immediately and to expire May 31, 2022. Based on the presentation and motion by Mr. Carroll and seconded by Mr. Ebersole, the following Resolution 2018-7 was unanimously approved by the Board:

RESOLUTION NO. 2018-7

**REGARDING SEATING OF DAVIDA RUSSELL
AS A MEMBER OF THE BOARD**

OF GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND

WHEREAS, Emmanuel Glover was previously appointed as a member of the Corporation's Board of Trustees as an appointment for the City of Cleveland; and

WHEREAS, the term of Mr. Glover has expired and the City has designated his replacement; and

WHEREAS, the Board has been notified by the Mayor of the City of Cleveland he wishes to designate Davida Russell to serve as an appointee of the City for the term commencing immediately and expiring May 31, 2022; and

WHEREAS, such appointment was confirmed by the Council of the City.

NOW, THEREFORE, BE IT RESOLVED, that Davida Russell be and hereby is seated as a member of the Board of Trustees and as a member of the Corporation as an appointee of the City of Cleveland to replace Emmanuel Glover, such term to commence immediately and to expire May 31, 2022, subject to reappointment by the Mayor.

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The Board then heard the Executive Director's report presented by Mr. Kelly on behalf of Mr. Greathouse. Mr. Kelly reported on Arena Major Capital Repair requests. With regard to the Arena Roof project, the majority of the roof has been addressed to date with the final Roof-O as designated in the Board materials to be addressed in the Spring of 2019. Mr. Silliman gave an overview of the Major Capital process. Ms. Nunnally then addressed the inclusion report for this project included in the Board materials stating that with the project 71 percent complete, MBE is currently at 20 percent, FBE is currently at 15 percent and CSB is currently at 1 percent.

Mr. Kelly then gave an update of the HVAC project for the Arena stating that they have spent approximately \$11 million and the project is progressing on schedule and on budget. With regard to inclusion, Ms. Nunnally discussed the inclusion report included in the Board materials stating that MBE is currently at 15 percent, FBE is currently at 55 percent and CSB is currently at 16 percent. Ms. Nunnally noted that the inclusion report included the identification of subcontractors to address Mr. Silliman's request for additional information on inclusion at the last Board meeting and she stated the report at the next meeting should include additional information on workforce participation.

Mr. Kelly then addressed the Arena major capital request first readings which were: (1) the sports lighting; and (2) the ice plant and ice floor. Mr. Faller first addressed the sports lighting stating that much of the equipment is from the initial installation in 1994 and, although properly maintained, is well past its useful life and in need of replacement. Mr. Faller also noted that the estimated \$515,000 replacement cost places it just above the \$500,000 threshold for identification as a major capital repair. Mr. Faller then addressed the ice plant and ice floor and noted that much of this equipment is likewise from the initial installation from 1994 and in need

of replacement. Further, the \$4,800,000 cost would place this project above the \$500,000 threshold for major capital repairs.

Mr. Faller then addressed the Arena second read for the Arena lighting controls project which consists of replacing two Arena lighting control systems, the house lighting system, and the bowl control system, both of which are from the initial installation in 1994. He noted that the \$983,454 cost places it above the major capital repair threshold. Mr. Faller also noted that now is an appropriate time to perform the replacement while the Arena is undergoing the Transformation Project. Mr. Silliman explained the approval process and then introduced Resolution No. 2018-8 recommending approval of the lighting controls project as a Major Capital Repair. Based on the presentation and motion of Mr. Carroll and seconded by Mr. Ebersole, the following Resolution 2018-8 was unanimously approved by the Board:

RESOLUTION NO. 2018-8

REGARDING RECOMMENDATION WITH RESPECT TO REQUEST FOR MAJOR CAPITAL REPAIRS FROM THE CAVALIERS OPERATING COMPANY, LLC

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland (“Gateway”) has agreed to provide for Major Capital Repairs as defined in the Lease dated as of October 12, 2017 (the “Lease”) between Gateway and Cavaliers Operating Company, LLC (the “Cleveland Cavaliers”); and

WHEREAS, the Board of Trustees (the “Board”) of Gateway has previously notified the City of Cleveland, Ohio (“City”) and Cuyahoga County (“County”) that Gateway does not have sufficient funds to pay Major Capital Repairs as defined in the Lease and requested the respective appointing authorities of Gateway, the City and the County, to consider such funding of Major Capital Repairs; and

WHEREAS, on May 9, 2012 the Board adopted Resolution No. 2012-1 setting forth its policies and procedures with respect to Major Capital Repairs (“Policy”); and

WHEREAS, the Cleveland Cavaliers have submitted a request for approval of Major Capital Repairs to the Arena under the Lease; and

WHEREAS, the Board has reviewed such request and pursuant to the Policy has received information from its professional consultant recommending approval of such items as noted on Exhibit A as Major Capital Repairs; and

WHEREAS, the Gateway Board desires to recommend approval of the Major Capital Repairs request from the Cleveland Cavaliers as further described in Exhibit A attached hereto.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway, on behalf of Gateway, finds that the requested Major Capital Repairs from the Cleveland Cavaliers for the Arena,

attached as Exhibit A hereto, are Major Capital Repairs under the Lease and are hereby recommended for approval.

BE IT FURTHER RESOLVED, that this Resolution, including the attached Exhibit A, constitutes Gateway's recommendation under the Policy and shall be forwarded to the City and the County forthwith and Gateway shall continue to provide information to the City and the County as requested to support this recommendation.

BE IT FINALLY RESOLVED, that the Board respectfully requests the County or City make a decision as to this recommendation no later than December 2018.

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EXHIBIT A
ARENA MAJOR CAPITAL REPAIRS
LIGHTING CONTROLS - \$983,454

Mr. Silliman then asked Mr. Kelly to address the proposed operating budget for 2019. Mr. Kelly reviewed the proposed operating budget for 2019. The total budget for both teams was \$4,734,310, an increase of \$61,716 or 1.3% from the prior year. He went through the budget in detail with the Board, including the various increases, the most significant being security, which went up \$68,964. The security went up due to increased costs for personnel from Securitas and because of also using Willow Security for additional security.

Then, Mr. Kelly reviewed the separate budgets for Progressive Field and the Quicken Loans Arena, with the Progressive Field budget going up about 0.3% and the Quicken Loans Arena approximately 2.8%.

After further discussion, he noted that both teams had approved these budgets and they were ready for approval by the Board. On motion made by Mr. Carroll, seconded by Mr. Ebersole, the following Resolution 2018-9 was unanimously approved by the Board:

RESOLUTION NO. 2018-9

**REGARDING AUTHORIZATION AND
APPROVAL OF ANNUAL OPERATING BUDGET
FOR 2019**

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland ("Gateway") has entered into Lease Agreements with The Cleveland Indians Baseball Company Limited Partnership ("Indians") and the Cavaliers Operating Company, LLC ("Cavaliers") (collectively the "Lease Agreements"); and

WHEREAS, the Lease Agreements provide for determination of rent to be paid by each of the Cavaliers and Indians pursuant to an annual operating budget approved by Gateway; and

WHEREAS, such budget is to be approved by Gateway by November 15 of the preceding year for the annual budget, or as soon as practicable thereafter; and

WHEREAS, pursuant to the Lease Agreements, Gateway has worked with the Indians and Cavaliers to develop the 2019 annual operating budget and presented the same to the Board of Trustees; and

WHEREAS, the Board of Trustees wishes to adopt and approve Gateway's 2019 annual operating budget.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway (the "Board") on behalf of Gateway does hereby authorize and approve Gateway's annual operating budget, including for the Cleveland Indians and Cleveland Cavaliers, as presented and attached hereto as Exhibit A.

BE IT FINALLY RESOLVED, that the Chairman or Secretary-Treasurer are and each of them is hereby authorized and empowered for and on behalf of Gateway in its name to take all actions necessary to carry out the foregoing budget or to modify the same pursuant to the Lease Agreements without further action or notification to the Board, which such officer or officers shall in his, her or their judgment be deemed necessary, advisable or desirable in connection therewith, which execution or approval shall constitute the conclusive evidence of the approval and authorization thereto of Gateway.

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Next Mr. Kelly reviewed the Capital Budget for Progressive Field for 2018 and referred the Board to the enclosed spreadsheet. The total amount for 2019 is projected to be \$2,431,362, which is slightly more than the \$2,275,000 for 2018. He noted that the Indians fund this budget.

On further discussion and review by the Board, upon motion made by Mr. Ebersole, seconded by Mr. Carroll the following Resolution 2018-10 was unanimously approved by the Board:

RESOLUTION NO. 2018-10

REGARDING AUTHORIZATION AND APPROVAL OF ANNUAL CAPITAL BUDGET FOR THE CLEVELAND INDIANS FOR 2019

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland ("Gateway") has entered into a Lease Agreement with The Cleveland Indians Baseball Company Limited Partnership ("Indians") (the "Lease Agreement"); and

WHEREAS, the Lease Agreement provides for the Indians to perform capital repairs in the Ballpark on behalf of Gateway; and

WHEREAS, the Indians and Gateway have annually agreed to a capital repair budget under the Lease to be funded by the Indians and performed by Gateway and the Indians (the "Budget"); and

WHEREAS, Gateway has worked with the Indians to develop the 2019 annual capital budget and presented the same to the Board of Trustees; and

WHEREAS, the Board of Trustees wishes to adopt and approve Gateway's 2019 annual capital budget with the Indians.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway (the "Board") on behalf of Gateway does hereby authorize and approve Gateway's annual capital budget with the Indians as presented and attached hereto as Exhibit A.

BE IT FINALLY RESOLVED, that the Chairman or Secretary-Treasurer are and each of them is hereby authorized and empowered for and on behalf of Gateway in its name to take all actions necessary to carry out the foregoing budget or to modify the same pursuant to the Lease Agreement without further action or notification to the Board, which such officer or officers shall in his, her or their judgment be deemed necessary, advisable or desirable in connection therewith, which execution or approval shall constitute the conclusive evidence of the approval and authorization thereto of Gateway.

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Ms. Nunnally then provided an update on the Arena Transformation Project and the inclusion reports contained in the Board materials. Ms. Nunnally stated that demolition is about 85 percent complete and installation of the structural I-beams is about 60 percent finished. She also noted that installation of the exterior glass will be starting next week and support for the steel curtain will begin. She also directed the Board members to the pictures contained in the Board materials of the various special club areas that will be contained in the Arena when the renovations are complete. Ms. Nunnally then addressed the diversity inclusion summary reports in the Board materials and stated that so far 55.7 percent of the total \$52,386,697 spent has been spent on minority firms. Breaking this down, the figures for MBE are 17.1 percent, FBE is at 28.7 percent, and SBE is at 47.7 percent. Ms. Nunnally then shared the workforce participation report showing that of the 81,171 total man-hours to date, MBE is at 26%, FBE at 6%, Cuyahoga County residents at 56%, City of Cleveland residents at 24% and low income participation at 5%.

Mr. Kelly then provided an update on the major capital projects at the Ballpark. With regard to the HVAC cooling towers and chillers, the project is complete subject to a few performance/operational issues. On the safety and security systems project, the project is complete subject to some final camera installation/operation issues. On the High Steel Painting, Mr. Kelly stated the project should be complete by December 1, 2018. Ms. Nunnally stated that with just over \$1.7 million spent, they have an FBE rate of 87 percent and a MBE rate of 11 percent. With regard to the concrete resurfacing, Mr. Kelly stated that the project is complete

subject to finalizing project documents. Ms. Nunnally then provided the inclusion figures with an MBE at 4.7 percent and FBE at 8.5 percent.

On the field lighting project, the field lighting system is installed and operating, but not yet installed per the RFP requirements and they are working with the contractor to close out the project. With regard to the players' parking lot and fencing, Phase 1 is complete. With regard to the data room air conditioning, they are about a week away from starting the cooling units. As for the outside escalators, the RFP was issued and the pre-bid meeting occurred. Responses to the RFP are due December 4, 2018 and installation is scheduled to occur after the end of the 2019 season. As for the club lounge renovation project, demolition started October 24, 2018 and kitchen work will begin on November 23, 2018.

Mr. Kelly then referred the Board to the letter from the Indians in the Board materials requesting consideration of various suite renovations as major capital repairs in accordance Gateway's policy. The Indians and Gateway will review the request with Mr. Faller's assistance and report back to the Board.

Next, the financial reports were given by Mr. Kelly. He first reviewed the Arena Transformation Project submittal requests and noted that through October 25, 2019, \$56,724,669 has been spent and this has depleted the tax exempt bond portion of the funding (Series 2017A) and funding is now into the federally taxable bonds (Series 2017B and C). He then addressed the Ballpark Alterations account noting that since 2014 the total is over \$40 million.

Mr. Kelly then referenced a Progressive Field major capital spreadsheet. Mr. Kelly reported the cumulative amount submitted thus far for the various categories equals \$36,629,010 of the \$37,415,629 total before reallocation. This leaves a balance before reallocation of \$786,618.

Upon motion made by Ms. Russell, seconded by Mr. Reidy, the Board adjourned the meeting at approximately 2:10 p.m.

APPROVED:

Secretary-Treasurer